

## **The complaint**

Mr B complained because Monzo Bank Limited refused to refund him for transactions which he said he didn't make.

## **What happened**

On 6 September 2023, two payments debited Mr B's Monzo credit card. One was a £15 payment to a phone retailer, and the other was a £770.99 payment to a household electricals retailer.

On 9 September, Mr B contacted Monzo by chat, to report that he hadn't made the transactions. He asked for a call back, but this didn't happen. On 11 September, he sent another chat message, saying he was concerned about his payments and the impact on his credit score. Mr B still didn't get a reply, so on 13 September he sent another chat message.

Monzo rang Mr B back later in the afternoon on 13 September. The adviser asked Mr B if anyone else had access to his phone, as the transactions had been made on Mr B's virtual card. Mr B said no, no-one else had access. Mr B's virtual card was replaced, and he confirmed there were no unrecognised transactions on his Monzo current account, only on his credit card. The adviser told Mr B that he'd be expected to keep up his payments while the fraud team was investigating, and if he didn't, they'd be reported as missed payments on Mr B's credit file. Mr B said he would pay because he didn't want his credit file impacted, but he wasn't happy and the adviser raised a complaint for him.

The next day, the fraud team contacted Mr B and asked him whether he had his phone in his possession, whether anyone else had access, and whether he'd written down his PIN. Mr B replied that the phone was currently in his possession, but he'd left it in a supermarket a couple of weeks earlier. After that, he'd added a PIN to his phone to access his phone and the apps. Apart from that, no-one else had access to his phone. He added that he now had the PIN, and his other bank details, recorded in the notes section of his phone app. Later, Mr B added that the standard settings on his phone were that it auto-locked after 30 seconds, and could only be opened with his biometric data. He said that his recent addition of a PIN had been extra to this. Mr B also clarified that the phone had been left at the supermarket for five minutes. It had been locked when he'd left it, and someone had handed it in at customer services.

On 22 September, Monzo told Mr B that it couldn't treat the payments as fraudulent, so it wouldn't reimburse him. It said this was based on the timeline of events which Mr B had presented, and the information Monzo had available, which suggested it wasn't possible for the transaction to have been authorised by anyone else. Monzo told Mr B he could speak to the merchant direct to take it up with them. Monzo also said that in line with its terms and conditions, it reserved the right to close an account either instantly or with 62 days' notice. It had taken the decision to close Mr B's on 23 November.

Mr B said that he intended to report this to the police. He told Monzo he'd recently been diagnosed with a serious health condition, and the disputed transactions had caused him mental stress and anxiety. He said he'd pay for the fraudulent purchase but wasn't admitting

liability and he was concerned about the impact on his credit score. Mr B asked Monzo to revisit its decision.

On 28 September, Monzo issued its final response to Mr B's complaint:

- It upheld Mr B's complaint about the delay when Mr B had reported the unrecognised transactions. It said it hadn't followed the correct processes and credited Mr B's account with £75 compensation;
- It rejected Mr B's complaint about Monzo not refunding him for the disputed transactions. It said that it believed its investigation had been thorough and had reached the right conclusion;
- It upheld Mr B's complaint about the time he had to wait for responses when he was trying to discuss his account. It accepted there had been a number of occasions when it had taken longer than expected to reply to Mr B. It said it wasn't a live chat service, and also that response times varied according to other customer requests. Monzo credited Mr M's account with £35 compensation;
- It didn't uphold Mr B's complaint about the closure of his account. It said this was because it had acted in line with regulatory obligations and the Terms and Conditions.

Mr B wasn't satisfied and contacted this service. He set out what had happened. He also said that he had a serious illness, so he was currently on half his salary, and Monzo expected the balance on his account in full by the time of the closure on 23 November. He said he was concerned about his credit score and this was causing him great anxiety. He said he felt Monzo was accusing him of fraud, despite the fact he'd said he hadn't made the payments. He wanted Monzo to provide evidence that he'd made them, and said he believed they didn't have any evidence. He wanted a refund of the payments, a formal apology, and compensation for the distress and negative impact on his physical and mental health.

Monzo didn't provide our investigator with the necessary information, which he'd asked for by 6 December. So initially our investigator upheld Mr B's complaint. Monzo then provided the relevant technical and correspondence information in mid January 2024. Our investigator then issued his final view.

In the investigator's final view, he didn't uphold Mr B's complaint. He said it was more likely than not that Mr B had authorised the payments himself, or had shared his payment details with a third party. He explained his reasons:

- Mr B had told this service that his phone had been out of his possession for a few minutes in a supermarket. He said his phone had been unlocked with passcodes stored on the phone, so he believed that was how the frauds had happened. But Monzo's records showed that when Mr B had reported the dispute, he'd told Monzo the phone had been locked, protected by biometrics, and no-one could have accessed his Monzo app. So this was inconsistent;
- Mr B had said he hadn't shared any details with a third party, but Mr B's virtual Monzo card could only have been accessed in the app after entering the PIN;
- The two disputed transactions had happened over two hours apart, with the larger one authenticated by Mr B's PIN on Mr B's phone. Only Mr B could have authenticated this.
- It wasn't likely that a third party with access to Mr B's phone would have stopped spending after the £770.99 transaction, because he had a £3,000 credit limit.

Mr B didn't agree, and asked for an ombudsman's decision. He said he understood that Monzo's evidence indicated he'd made the purchases himself, but he strongly refuted that he'd either authorised, or personally made, them. He said he understood that Monzo's security could be circumvented by social engineering tactics by fraudsters. He said he'd received letters from an unknown person to his address, which had started at the time of the fraud.

Mr B said he'd never had an account with the phone provider to which the £15 payment had been made. Because of data protection, he hadn't been told what had been purchased from the household electricals retailer. He asked the investigator whether the investigator could find out the goods and delivery address, and said that he believed that if this could be found out, it would prove he'd been a victim of fraud. He asked the investigator to request this from the police.

Mr B also said that he'd been trying to think of any other way his Monzo account could have been compromised, and he'd had a message allegedly from Royal Mail requesting payment for a parcel, which had been a scam.

The investigator explained that Monzo's data showed that the security authentication had been sent to Mr B's registered mobile, and could only have been approved by whoever had the phone at that time. The person making the withdrawals would also have needed Mr B's PIN.

In mid-February, Mr B added that there had been a visitor in his property on the afternoon of the fraud. He said he'd contacted her about being a paid carer to meet his care needs at the time, and she'd had access to his phone that afternoon. Mr B alleged that he knew this person had also committed fraud against another person, and that he'd reported this to Action Fraud.

Mr B's complaint was passed to me for an ombudsman's decision.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

First, I'm sorry to hear about Mr B's health condition. I understand it must be a difficult and worrying time for him. But this isn't something which can affect the outcome, which I need to decide in line with the relevant regulations and what's most likely to have happened.

#### *What the regulations say*

There are regulations which govern disputed transactions. The relevant regulations here are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. The regulations also say that account holders can still be liable for unauthorised payments under certain circumstances – for example if they've failed to keep their details secure to such an extent that it can be termed "*gross negligence*."

So I've considered whether it's more likely than not that Mr B, or a third party fraudster, carried out the disputed transactions. I note that Mr B has asked for information about what was bought at the household electrical firm, and where it was delivered. But what matters under the Regulations is whether Mr B, or someone else, authorised the payment. It doesn't make any difference what the item was, or where it was delivered. So the decision below

focuses on the evidence about who authorised the payment, as well as the evidence Mr B has provided about the circumstances.

### *Who is most likely to have authorised the disputed payments?*

I've looked carefully at the technical computer evidence provided by Monzo. This shows that the payments were carried out using the mobile device which he'd registered to his Monzo account. This means that they could only have been carried out by whoever had Mr B's phone, and could access both the phone, and Mr B's Monzo app. Mr B's PIN would also have been needed for the transactions.

Mr B's evidence has varied over time, which doesn't help the credibility of what he's said. I've seen chat evidence showing that he initially told Monzo that his phone was locked and protected by biometrics, and no-one could have accessed it. But he later told our service that the phone had been unlocked and he'd stored the passcodes on the phone.

I've also considered that when Mr B and Monzo spoke on 14 September, he said that a fortnight earlier, he'd left his phone in a supermarket for five minutes, and it had been handed in to customer service where he'd collected it. He suggested this might have been how the disputed transactions had happened. But I don't find this likely. A fortnight before 14 September would have been the start of September. The phone was returned to Mr B within five minutes of losing it in the supermarket. But the disputed transactions didn't happen until 6 September – not in that five minutes in the supermarket. It wasn't possible that anyone could have kept the phone details that day and used them a week later – because the technical computer evidence shows that the actual phone was used. In any case, it also isn't likely that any fraudster who might have picked up the phone would have returned it to customer services.

Mr B's second suggestion was that someone who visited his home on the afternoon of 6 September carried out the disputed transactions. He only raised this in mid-February, even though Monzo had asked him in September whether anyone else had access to his phone, and he'd said no. The fact that he didn't mention this until some five months later, means it's less credible as an explanation. I consider that what he said at the time, rather than five months later, is more likely to be an accurate memory of what happened. And Mr B hasn't suggested why this person might have had access to his phone and his Monzo security details. But in any case, Mr B clearly said the visitor came in the afternoon. The two disputed transactions took place at 10.38 am and 12.56 pm. So the visitor came after the transactions had already taken place, and can't therefore be responsible for them.

It's also very unlikely that any fraudster would have just made the two transactions for £15 and £770.99, when Mr B had a credit limit of £3,000 and wasn't at the limit at the time.

Finally, Mr B also added another explanation, that he'd had a scam message to his phone about a parcel delivery. But I can't see that this would explain how a third party would have had access to Mr B's phone and his Monzo security information.

Taking all this into account, I find that it's more likely than not that Mr B, or someone he authorised, carried out the disputed transactions. If he allowed someone else to make the transactions for him and gave them the phone and security information in order to do so, this counts as Mr B having authorised them himself. So Monzo doesn't have to refund Mr B for the disputed transactions.

### *Closure of Mr B's accounts*

Mr B also complained about Monzo closing his account. Monzo was entitled to do this under the terms and conditions of Mr B's accounts. In certain circumstances, it doesn't have to give notice, but in Mr B's case it did give him notice. Nor does Monzo have to provide reasons for the closure. So I find that Monzo didn't act wrongly when it took the decision to close Mr B's accounts.

#### *Monzo's customer service and the amounts it paid Mr B in compensation*

The service which Monzo provided to Mr B when he first contacted it to report the disputed transactions was poor. He repeatedly asked for a call back, which didn't happen. Mr B contacted Monzo on 9 September, but this didn't get escalated until 13<sup>th</sup>, and Monzo didn't phone Mr B as he'd requested until 14 September. For an issue involving alleged fraud, this was poor. Mr B also had to wait a long time for responses when he was trying to discuss his account, which was also poor service.

Monzo accepted that it had provided poor service to Mr B in these respects, and it had paid him £110 compensation in total, before Mr B contacted us about his complaint to Monzo. I consider this was acceptable for the poor level of service provided by Monzo.

#### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 May 2024.

Belinda Knight  
**Ombudsman**